

REMARKS

Applicants certainly appreciate the allowance of claims 12-24, as set forth in the office action of June 1, 2005. Applicants also appreciate the indication of allowance of claims 3, 6, 8, 9 and 11 if amended to become independent, incorporating the requirements of the base claim and any intervening claims. Nevertheless, applicants believe that base claim 1 as amended is allowable. Therefore, applicants have not made these claims independent. A number of the claims dependent on claim 1 are amended to better define the invention.

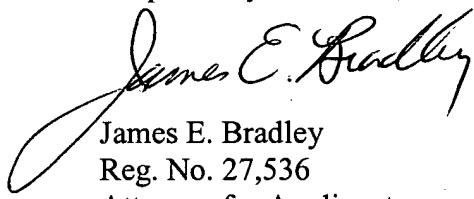
The claims were rejected over Vandevier. First, applicants submit that Vandevier is not prior art under Section 103(c)(1). As will be explained further, claim 1 as amended does not read on Vandevier, therefore Section 102 does not apply. Applicants submit that the subject matter of Vandevier and the claimed invention herein, were at the time the claimed invention was made, owned by the same entity, which is Baker Hughes Incorporated. Applicants are enclosing copies of the recorded assignments for Vandevier as well as this application.

In addition, applicants submit that the differences between the subject matter of claim 1 and Vandevier would not have been obvious to one skilled in the art. Claim 1 requires that the capsule have a sealed interior with a downhole pump assembly located within the sealed interior. The claim also requires that a flow control device for selectively communicating well fluid in the annulus to the sealed interior of the capsule and to the intake of the pump assembly. In Vandevier, there a port 43 in shroud 31 is always open. There is no flow control device at port 43 and shroud 31 does not have a sealed interior. Well fluid pressure in the tubing annulus cannot be isolated from the interior of shroud 31.

In Figure 1A and 1B, Vandevier has an open flow port 43 to continuously recombine separated oil discharged from separator 22 back into the stream flowing into pump 37. The water, free of oil, flows up the interior of shroud 31 for cooling motor 33. In Figure 2A and 2B, oil flows up the interior of shroud 31 and water up the exterior and water flows in through ports 43. Vandevier does not deal with being able to isolate annulus pressure from the pump in the interior of the capsule. Applicants submit that claim 1 and its dependent claims should thus be allowed.

It is respectfully submitted that the claims are now in condition for allowance and favorable action is respectfully requested.

Respectfully submitted,



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